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THE TARIFF DEBATE OF 1909 AND THE
NEW TARIFF ACT

SUMMARY

The "true principle," of equalizing cost of production, virtually new in 1908, 2. — Its fallaciousness, 2. — High wages and cost of production, 4. — Significance of the "true principle" as a concession to the demand for revision, 5. — Character of the debate of 1909, 7. — Crass protectionism, 9. — The Bill before the Ways and Means Committee, 11. — German comments pigeonholed, 13. — Action of the House, 15. — Situation in the Senate; log-rolling brings advances in duty, 16. — Conference Committee settles details, 18. — Duty on hides abolished, 19. — Duties on lumber and iron reduced, 21. — Iron and steel duties lowered, 24. — Shoes and leather, 25. — Advances on cotton goods, hosiery, silks, 27. — Economic characteristics of these industries, 31. — Insignificant changes on wool and woollens, 31, and on sugar, 33. — Sugar from the Philippines free, 34. — Advances on petty items, "jokers," 35. — Maximum and minimum provisions, 36. — Conclusion 38.

THE tariff act of 1909 comes after an unusually long interval. Its predecessor, the act of 1897, remained in force for twelve years, and thus proved the longest-lived of all our tariff measures; its nearest rival having been the act of 1846, which lasted eleven years. The new tariff comes, as usual in recent times, immediately after a presidential campaign, and in pursuance

of promises made in the campaign. The Republican party in its platform of 1908 promised to revise the tariff; and its candidate, soon to become President Taft, pledged his efforts to secure such revision, — “revision” being understood by him and by the public generally to mean primarily reduction of duties. In what manner has the revision proceeded, and to what degree has reduction been brought about?

The Republican platform contained a new version of the principle on which protection was to proceed: paraded, to be sure, as the “true” or “long-established” Republican doctrine, but nevertheless, in its precision of statement, substantially new. The doctrine was laid down as follows:

“In all protective legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries.” This notion, very little heard of before, played a surprisingly large part in the discussions of 1908–09, and was hailed in many quarters as the definitive solution of the tariff question.¹ It has an engaging appearance of moderation; yet it leads consistently to the most extreme results. It seems to say, — no favors, no undue protection, nothing but equalization of conditions. Yet little acumen is needed to see that, carried out logically, it means simple prohibition and complete stoppage of foreign trade.

Anything in the world can be made within a country if the producer is assured of “cost of production together with reasonable profits.” In a familiar pas-

¹ The Republican platform of 1904 had a similar phrase: “the measure of protection should always at least equal the difference in cost of production at home and abroad.” This seems to be the first platform statement of the “true principle”; but very little attention was given it in 1904.

sage of the *Wealth of Nations*, Adam Smith remarked that "by means of glasses, hotbeds, and hot walls, very good grapes can be raised in Scotland, and very good wine can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries."¹ In the same vein, it may be said that very good pineapples can be grown in Maine, if only a duty be imposed sufficient to equalize cost of production between the growers in Maine and those in more favored climes. Tea, coffee, raw silk and hemp, — any quantity of things that are now imported, can be produced in the United States, provided only that a duty high enough be imposed. No doubt it will be said that these things are not "fitted" for our natural conditions, and that duties should not be "unreasonably" high. But, as Adam Smith remarked further: "If there would be a manifest absurdity in turning toward any employment thirty times more of the capital and industry of the country than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning toward any such employment a sixtieth, or even a three-hundredth part more of either." The difference is simply one of degree. Sometimes a moderate duty may be called for in order to "equalize cost of production," sometimes a very high duty. Consistently and thoroly applied, the "true principle" means that duties shall be high enough to cause anything and everything to be made within the country, and international trade to cease.²

¹ *Wealth of Nations*, Book IV, ch. ii; vol. i, p. 423, Cannan edition.

² It is not often that unflinching application of "the true principle" is advocated, but the following extract from the Congressional Record (May 17, 1909, p. 2182) indicates that the foremost protectionist leader is willing to go all lengths.

MR. ALDRICH. Assuming that the price fixed by the reports is the correct one, if it costs 10 cents to produce a razor in Germany and 20 cents in the United States, it will

On the other hand, the "true principle," consistently analyzed, means that the more disadvantageous it is for a country to carry on an industry, the more desperate should be the effort to cause the industry to be established. Of course the term "cost of production" is used, in these discussions, in the sense of the money advances that must be made by the employing capitalists. The more labor must be employed at current wages to get to market a given article, the larger these money advances become. In other words, they are large because (for whatever reason) much labor is required per unit of produce; that is, because the efficiency of labor is low. One of the most familiar facts of industry, tho one most commonly forgotten in the protective controversy, is that high money wages do *not* necessarily mean high prices of the things produced. When labor is effective, high wages and low prices go together. Obviously the community is prosperous precisely in proportion as this combination exists, — high wages and low prices. But where labor is ineffective, there, if money wages be high, high prices will ensue. The more of high priced labor must be employed in order to produce a given article, the higher will be its "cost of production," and the higher must be the duties in order to "equalize cost of production at home and abroad."

All the current notions on this topic among the staunch protectionists rest on the belief that high

require 100 per cent duty to equalize the conditions in the two countries. . . . And so far as I am concerned, I shall have no hesitancy in voting for a duty which will equalize the conditions.

Mr. BAILEY. The Senator from Rhode Island would vote unhesitatingly for a duty of 300 per cent.

Mr. ALDRICH. If it was necessary —

Mr. BAILEY. If he thought it was necessary.

Mr. ALDRICH. Certainly. If it was necessary to equalize the conditions, and to give the American producer a fair chance for competition, other things being equal, of course, I would vote for 300 per cent as cheerfully as I would for 50.

wages (high money wages, that is, — few go beyond this phase of the problem) cannot be maintained in our American community unless there be protection against the commodities made by cheaper labor abroad. And this belief rests on the notion that high wages necessarily mean high prices.¹ The truth is that a high general level of real wages is the outcome of high general efficiency of labor. Given such efficiency, it would continue, tariff or no tariff. But this seems to the protectionists an incredible proposition. The verdict of the economists, tho practically unanimous against their belief, has no visible effect in overthrowing it. That high wages are due to the tariff, and cannot be kept high without high duties, has been dinned in the ears of the public so persistently that it has become for the average man an article of faith. To connect high wages with the effectiveness and productiveness of labor; to consider whether it is worth while to direct labor into industries where it is not effective; to reflect what it really means to “equalize” a high domestic cost of production with a lower foreign cost; in fact, to reason carefully and consistently on the tariff question, — all this, unfortunately, is almost unknown. The average employer and the average laborer alike accept the familiar catchwords and fallacies: let us stimulate employment, make demand for labor, create the home market, equalize cost of production, preserve American industries and the American standard of living.

None the less, this “true principle” is significant of some concession to those who believe that production has been carried too far. There has been an un-

¹ On the general subject of the connection between money wages, prices, and international trade, I have stated my conclusions in a paper on “Wages and Prices in Relation to International Trade,” *Quarterly Journal of Economics*, August, 1906 (vol. xx, p. 497).

easy feeling that duties have been *more* than sufficient to "equalize," and that they bring *more* than "a reasonable profit" to American producers. As every one conversant with our tariff system knows, they have often been excessive in this sense. They have been higher than was necessary to enable the domestic producers to hold their own. A vast number of the duties are simply prohibitory. Many are innocuous as well as prohibitory, — mere nominal imposts, on articles produced as cheaply within the country as without, and not importable under any conditions. Such are the duties on wheat, corn, cattle and meat, and other agricultural products, — dust in the farmer's eyes. Such too are the duties on cheaper cotton goods, on boots and shoes, and many other manufactured articles. On still others the rates, while so high as to prohibit importation, are not nominal: cost of production may be higher in the United States than abroad, yet only a little higher, so that the duties go beyond the point of mere "equalizing." Such seems to be the case with certain grades of woollens and silks. In the absence of any importation of competing goods (the woollens and silks that continue to be imported are mainly special articles, different from the domestic textiles) it is difficult to calculate just how far an equalizing duty at all may be needed, on the basis of "the true principle." But it is certain that existing rates are much more than equalizing.

Where competition is effective among domestic producers, the rates which are in this sense excessive do no special harm. Where, however, competition is not effective and the domestic producers have a monopoly or quasi-monopoly, the duties obviously are not only excessive from the standpoint of "the true principle," but do substantial harm in aiding the

avored producers to get abnormal profits. The general uprising against combinations and trusts has contributed to a more critical scanning of the tariff schedules, and also to a belief that any duty which is "unreasonably" high yields the domestic producer unreasonable profits. To feelings of this sort there is a concession in the "true principle": let your duties be high enough to equalize cost of production, but not more than high enough.

So far as questions of principle are concerned, the Congressional debates of 1909, like those of other years of tariff legislation, are depressing for the economist. There is hardly a gleam of general reasoning of the sort which is applied in our books to questions of international trade. This is not due to any lack of diligence on the part of the legislators. Often there is great knowledge of detail, indicating laborious study. Both Messrs. Payne and Aldrich, the leaders of the majority in the House and Senate, were remarkably well informed, not only as to the rates of duty, but as to industrial conditions in the industries affected. Other senators and representatives were hardly less conversant with the facts, especially so (as might be expected) in regard to duties and industries that affected their constituents. Not infrequently, to be sure, their utterances bore the clear marks of cramming at short notice. None the less, while there was the usual amount of general speechifying and of orations published — under "leave to print" — without having been delivered, there was some real and effective debate on details, especially in the Senate. But all those details were treated from the "practical" point of view: whether proposed duties were "unreasonably" high, whether imports were in fact increasing, whether

the domestic producers at the moment were in difficulties or were making money.¹

That there should be general acceptance of the protectionist principle, and that the only question in debate should be whether duties were "unreasonably" high, was natural enough. Most people get used to existing conditions, and cannot easily conceive of anything different. Thus the national bank system was long regarded in this country as the inevitable and necessary system, and in the main is still so regarded. Our traditional method of levying taxes on property is similarly rooted in the ordinary thinking of Americans. For a long period, until the "tariff reform" agitation began in Great Britain, the only thing which an Englishman regarded as in the nature of things possible, was a policy of free trade. Protection is in the same way a matter of course with most people in the United States, and will be so until some turn in the political wheel brings up "tariff reform" (in the other sense) and jostles men's thoughts out of their accustomed channels. And it is not only natural, it is sensible, that the immediate question should be simply as to the degree of protection. An abrupt change of policy is as inexpedient as it is politically impossible. Where the industries of a country have adapted themselves through a long period to a given policy, that policy cannot be wisely changed except by gradual steps.

¹ Thus a California senator, arguing in favor of an increased duty on lemons, gave elaborate figures as to imports, domestic supplies, division of the market; and said — (Congressional Record, p. 2823) "there are now about 2,000 carloads of lemons in storage in Southern California for which no markets at living prices have been found, and the growers are again in considerable numbers rebudding their lemon trees with oranges. The industry is at a standstill, and unless relief is obtained in this bill it will be only a few years until this country will be dependent upon foreign producers for practically its entire supply of lemons," — horrible thought! The Californians finally secured not only their higher duty on lemons, but some other advances also. The rate on lemons went up from 1 to 1½ cents a pound. on figs from 2 to 2½ cents a pound, on grapes from 20 to 25 cents per cubic foot of package. An advance was also made on pineapples. There seems to me no rational ground for any of these changes.

None the less, it is disheartening to see how crass is the protectionism of most leaders in the dominant party. The point of view is that of the most ordinary mercantilism: as if imports were necessarily a cause of loss and an increase of imports always ominous; as if domestic production were necessarily good and its increase always a matter for rejoicing. Foreign producers are spoken of as a predatory band, united in a compact monopolistic body, ready to pounce on "our great American market."¹ That there is such a thing as a geographical division of labor between countries as well as within a country, and that a country may gain by importing things for which its industrial conditions are not favorable,—this simple point of view never once (so far as I have observed) was presented in the debates. The universal notion was that of equalizing the competition, and making sure that the domestic producer was given command of the field, according to the "true principle." Even when the most obvious natural factors explained the continuance of importations, the suggestion seems never to have been made that supply from across the border might possibly be the best arrangement after all.

No better illustration of this state of mind can be found than in a speech made by Senator Elkins, who argued that the duty on coal should be retained for the protection of the mining industry of Washington and adjacent states,—because their mines were ill situated and produced inferior coal! The coal mines of British Columbia were declared to be evil competi-

¹ "Senator HALE: What to me in this discussion [of a proposed increase in the duty on razors] is brought out more clearly than anything else, and which is extremely depressing, is the raid that has been made in the last few years by foreign producers, particularly those of Germany, to get possession of our markets for this product. . . . the determined invasion into the American market of foreigners, and especially the Germans." *Congr. Record*, p. 2180. Cf. what is said below of the higher duty on razors which finally was imposed; pp. 27, 28.

tors, not only on the stock ground that they had lower wages and longer hours, but because they had natural advantages. They are near tide-water, whereas the American mines have to ship by rail; their coal is more easily and cheaply mined, and is of a higher grade. "The coals of British Columbia are inexhaustible and better than the coals of Washington and other western states." It never seems to have occurred to this speaker, or to any critic, that such bounty of nature could be a cause not of disadvantage, but of advantage to the adjacent American region. Had the Oregon dispute of 1844-46 turned out as the American hot-heads then wished; had we stuck to the policy of "54°—40' or fight," and had the region which is now British Columbia become a part of the United States, — how we should have rejoiced in its inexhaustible supplies of good coal! But as soon as this coal proves to be on the other side of a political line it is no longer a boon, it becomes a peril. No: "the principle of protection is to build up our home industries by manufacturing our own products, — this gives our people employment, keeps the money in the country, and makes this country an independent and self-reliant nation."¹

With protection of the indiscriminate sort urged in this way, it is not to be expected that the more intricate questions should be probed. In the legislation of 1909, as in that of earlier years, marked advances in the rates were proposed on certain articles, usually articles already subject to high duty. Such for ex-

¹ See Congressional Record, pp. 2934, 2935. In much the same vein, a representative from Wisconsin argued in favor of retaining the duty on barley because "Canadian barley can be supplied to the malt houses of Buffalo, Oswego, and other eastern cities at a much less cost of transportation than from the farms of Wisconsin, Minnesota, and the Dakotas. The present rate of duty offsets the advantage of the Canadian farmer on the shorter haul, and thus preserves the eastern market for the American farmer." *Ibid.* p. 4558.

ample were some sorts of cotton hosiery, finer cotton piece goods, women's gloves, some grades of plate glass, and the like. *Prima facie*, the fact that duties already high had not sufficed to bring about the domestic production of these things would seem to be a reason for allowing them to be obtained by importation. At all events the question arises, why do imports continue in face of high duties, and why are still higher duties demanded? Are there any conditions in the methods of production which explain the high cost of the domestic articles, the continued imports, and the "need" of higher protection? And is there any ground for expecting that conditions will change, and that the need for protection will not continue indefinitely? These are the questions of real difficulty; but they receive practically no consideration at all.¹ Sometimes there is an intimation that tho prices will be raised at first, eventually they will become lower for American consumers. In other words, there is an endeavor to apply the "young industries" argument. But even this is rare. Usually it is assumed as a matter of course that the continuance of the imports is an evil and that the acquisition of a "new industry" is necessarily an advantage to the country. The more difficult it is to bring about its establishment, and the higher the "labor cost," then the more is there supposed to be ground for raising the duties, so as to give additional employment to American labor and apply the "true principle" in still another direction.

A disposition to scan duties critically according to their conformity to the "true principle" was shown by the Ways and Means Committee of the House, in which the consideration of the tariff measure began.

¹ Something more is said on this topic below, on p. 29.

The chairman of that committee, Mr. Payne, tho a staunch protectionist, was not a fanatical one. On sundry schedules the inquiries of the Committee, under his leadership, were directed toward a comparison of domestic and foreign cost, and a comparison again of the difference in cost with the rates of duty.¹ It is true that inquiries of this sort, conducted in hearings before Congressional Committees, can lead to no accurate results. The persons who appear as witnesses are almost invariably interested producers, and the figures and statistics presented by them are of very doubtful value. Any one who looks over the reports of these hearings must observe how vague and obviously exaggerated are the recurring statements about wages and cost of production. If accurate information on these matters were desired, the effective method would be to engage agents or "experts," say from the Bureau of the Census or the Bureau of Corporations, and give them a year or two in which to make careful investigation. Even so, in view of the variations of cost of production in different establishments, and the difficulty of selecting the representative firms, it may be questioned how far usable results could be got. At all events, no such systematic procedure was thought of. The usual array of indiscriminate figures was

¹ Mr. Payne's attitude is indicated in the following passage from his speech introducing the bill:—

"Some gentlemen think in order to be protectionists that after they have found out the difference between the cost of production here and the cost abroad they ought to put on double that difference by way of a tariff rate, and they are willing to vote for such a provision in the bill, and if crowded they will go to three times that amount. I do not believe that such a man is a good friend of protection. I believe we should fix these duties as nearly as we can at the difference between the cost here and the cost abroad, and not after we have decided what that difference is, double it, add 100 per cent to it. . . . He is the better friend to protection who tries to keep the rates reasonably protective to the people engaged in the industry." *Congr. Record*, p. 7.

It should be noted, to Mr. Payne's credit, that his speech introducing the tariff bill was a very careful one, explaining with much detail the changes proposed. In its fullness of detail it was in marked contrast with the flamboyant and empty speeches with which Messrs. McKinley and Dingley introduced in the House the tariff bills of 1890 and 1897.

presented and printed, with a natural tendency on the part of the protectionists to accept without question statements indicating that their true principle could be maintained only by keeping duties very high.¹

The hearings before the House Committee led to a curious and instructive episode. It is significant of the trend of international competition that the rivals most frequently held up as menacing by the petitioners for higher duties were the Germans, not, as in the hearings of earlier periods, the English. The statements in regard to wages in Germany were so loose and exaggerated that the Germans were led, both by pride and by a hope of affecting the course of legislation here, to take notice of them. Their government referred the printed hearings to various firms in Germany. A whole sheaf of comments was transmitted by the German foreign office to our Department of State, and by this to the Senate. They reached the Senate Committee on Finance early in April, and slumbered there for a month. In May some of the so-called "insurgent" Senators asked for them, and they were ordered to be printed. But they were not printed until August, after the adjournment of Congress. It was said, in explanation of the delay, that the government printing-office was so busy as to be unable to bring them out earlier. But this was obviously a pretext. Anything that Congress really wanted was supplied

¹ The Hearings of 1908-09 before the Ways and Means Committee were prolonged, and contain, in addition to the usual mass of irrelevant and useless matter, much material valuable for the student of economics. They have been printed, too, with more care than has been shown on previous occasions, in eight volumes, arranged by topics, and well indexed.

There were no hearings before the Senate, though there were unreported "conferences" between the members of the Senate Finance Committee and persons interested in the duties. Senator Aldrich, in discussing various details, referred to figures as to cost of production presented to his Committee by domestic producers; but such figures, not subject even to the test of publicity, have still less weight than those presented to the House Committee.

Cf. what is said below as to the Tariff Commission, p. 36, note 2.

with exemplary promptness. The truth clearly is that the ruling spirits in the Senate did not wish the information to be put at the disposal of opponents. Any one who looks through the document will see that for this they had good ground. The figures given by American producers as to wages in Germany, and other figures supposed to show differences in cost of production, are shown to be virtually worthless, and not a little instructive information is given on the general aspects of tariff rivalry. But probed and sifted information was not desired by the Republican leaders, or at least by those who guided the course of action in the Senate. Any sort of vague and exaggerated statement as to wages and cost was readily accepted, and made the occasion for a drastic application of the sanctified "true principle."¹

Two sets of reductions in duties engaged the special attention of the House Committee: as to iron and steel, and as to certain raw materials. The conspicuous position of the Steel Corporation compelled attention to the former. To the point of removal of the iron and steel duties the Committee would not go; but some reductions were proposed. The raw materials most discussed were coal, lumber, iron ore, hides. These the Committee proposed to admit free of duty. As to the fate of the proposals more will be said presently.

On the other hand, some advances in duty were frankly proposed, usually on the ground that the "true principle" called for them. The duties on mercerized cottons — fabrics treated by a process which gives them a silk-like sheen — were advanced, because of the "additional labor and the difference in the cost of labor." The duties on women's gloves and on cer-

¹ The German reports were finally printed as Senate Document No 68, Part 2, 61st Congress, 1st session.

tain sorts of hosiery were similarly increased. Other advances could be less easily defended on grounds of this sort, and were the obvious result of pressure from some geographical district, or from some legislator who had to be placated. Zinc ore, previously free, was subjected to duty because the people of the Missouri zinc mining district insisted on their share in the benefits of protection. The duty on split peas was increased, — a petty matter, worth noting only because of the explanation of the change, — on “the personal knowledge and evidence of a member of the House who knows all about the business.”¹ The duties on some fruits — figs, prunes, lemons — were raised as a sop to the California members. There were other instances of this sort, — advances of rates proposed because some member of the Committee had a constituent who was interested in a particular article, or because the Committee felt it necessary to make sure of the vote of a given region. None the less, the House bill made significant reductions: none of revolutionary character, or likely to have serious economic effects, yet indicative of a disposition to bring about some “real” revision.

No great changes from the Committee's rates were made in the House itself. Notwithstanding active debate, and a vigorous attempt by interested representatives to retain duties as against the proposed extension of the free list, the bill as passed by the House was substantially that prepared by the Committee. On the hotly debated items of coal, hides, iron ore the Committee was sustained: they were left on the free list. On lumber, the leaders could not hold the House; a duty was retained, but at half the existing rate.

¹ I quote from Mr. Payne's speech introducing the bill; Congr. Record, p. 9.

In the Senate the course of events was different. In most of the tariff acts of the last generation, the influence of the Senate on legislation has been greater than that of the House, and has been exercised in favor of higher duties. The greater influence of the Senate is the natural result of its smaller size, its compactness, and the longer term of its members. That this greater influence should have been exercised in the direction of higher duties, has been often ascribed to the greater subservience of senators to large monied interests. There is truth in this. In legislation on other subjects also, especially in the long contest over railway legislation, it has appeared that the Senate is, if not the stronghold, at least the stronger hold of those corporations and industries whose money-making may be affected by legislation. But so far as the tariff is concerned, another circumstance is at least equally important in explaining the ultra-protectionism of the Senate. Each State is equally represented. Montana and West Virginia have as many votes as New York and Iowa. The senators from a thinly populated state have disproportionate power in fighting for duties that are, or are supposed to be, for the interest of their constituents. Geographical representation in the Senate, as well as the relation between the individual members resulting from senatorial courtesy in confirming appointments,¹ is thus peculiarly favorable to log-rolling. The votes of small dissatisfied states cannot be ignored, as they can in the House. Washington, Idaho, Montana, Wyoming, West Virginia will easily combine in favor of duties on coal and on hides, and together constitute a formidable phalanx. The strictly manufacturing states, such as Massa-

¹ Cf. the extract given below, (p. 20), from Mr. Payne's remarks as to the duty on hides in 1897.

chusetts and Pennsylvania, feel it necessary to conciliate such a group, and to let them have duties on their local products, in order to secure their adhesion to the general protectionist scheme. The log-rolling process, as has been said by President Lowell, is the great evil of democratic government; and that evil nowhere appears more conspicuously than in the dealings of a body like the American Senate with tariff legislation.'

Nevertheless, there was a vigorous protest from within the ranks of the Republican party. The senators from some of the great agricultural states of the Middle West — Wisconsin, Iowa, Nebraska, Minnesota, stood staunchly for reductions in duties. Their constituencies, more strongly than any other part of the country, felt hostility to real and supposed monopolies. They represented the healthy uprising against monied domination, the resolution to grapple with the great social and industrial problems of the twentieth century. No doubt the tariff was less closely connected with those problems than they and their representatives supposed. A combination and monopoly was smelled behind every high duty, even tho (as in the case of the cotton manufacture) the conditions clearly were not those of monopoly. No doubt, too, there was the usual half-heartedness and inconsistency in their attitude on the general question. They were taunted with being unfaithful to their party and even (after the common question-begging way of the fanatical protectionists) with being allies of designing foreigners and enemies to their country. To this they replied that they were the true and faithful and reasonable protectionists. Even these determined critics never planted themselves on any ground of clear-cut principle. They simply represented a strong feeling

of unrest and discontent, which the leaders in the Senate disregarded on the tariff as on other questions.

The combination of local interests in the Senate was made the more effective by the leadership of Senator Aldrich. Senator Aldrich, unlike the House leader, was a protectionist of the most unflinching type. At the same time he had had long experience and was exceptionally well informed on tariff details. His influence goes far to account for the amendments made in the Senate. These were no less than 847 in number; many of them, to be sure, merely on matters of form and phraseology, but over half of substantial importance. Their drift was upwards. The much debated raw materials, iron ore, hides, coal, were again made subject to duties; the duty on lumber was raised above the rate fixed in the House. The duties on cotton goods, hosiery, and other manufactures were advanced. Many of the changes substituted specific for ad valorem duties, or shifted the dividing line in the progression of specific duties. Just what such changes mean is often difficult for even the most expert to ascertain.¹ It is tolerably certain that, made under such auspices, they would tend in general to tighten the extreme protective system, and were likely to embody "jokers," — new rates of real importance, advantageous to particular producers, and concealed in the endless details.

So the bill went to a Conference Committee, and there, as usual, its details were finally settled. The Conference Committee consisted of eight members from each house, five Republicans and three Democrats. The Democrats were put on the Committee

¹ "Some of these amendments I have studied diligently, and I am not able to say to-day whether they raise or lower the rates, and have not been able to determine yet with the aid of gentlemen who are experts on this subject." Mr. Payne, in the brief House debate on the Senate amendments: *Congr. Record*, p. 4468.

only *pro forma*. The ten Republicans from the two houses got together by themselves, and came to an agreement, against which the six Democrats simply registered the stock partisan protest. Such has been the procedure with all the tariff legislation of the last generation. What passed in the Conference Committee can only be guessed, but guessed with some certainty: weary sessions, hurried procedure, give and take, insistence by this or that member among the ten on some duty in which he is particularly interested. Irresponsibility in legislation reaches its acme.

In one respect a new influence was brought to bear on the Conference Committee, and a new responsibility was assumed. The administration suddenly brought pressure to bear in favor of the House rates, or rather in favor of lower rates all around. President Taft had pledged his party, during the campaign, to undertake a revision of the tariff downward; and it had been given out, apparently on good authority, that he would veto a bill that failed to carry out the pledge. During the long debates in both houses, he had abstained from any serious effort to influence the course of legislation. But at the very last stage — it is not certain whether from a sudden change of tactics, or in pursuance of a policy kept till then deliberately in the background — he took the position of titular head of the party, and urged reductions in duties. His outspoken attitude strengthened the moderate element, and finally brought about a measure less stultifying in view of his own pledges than had seemed possible when the bill first went to the Conference Committee.

The most hotly disputed single item was the duty on hides. These had been free of duty from 1872 to

1897. In 1897 they had been subjected to a duty of fifteen per cent. on the insistent demand of the representatives of the grazing states, especially Montana.¹ The House passed the bill of 1909 with hides free; the Senate, again at the insistence of the grazing states, proposed to restore the duty of fifteen per cent. Instead of a compromise, in the shape of a reduced rate, such as might be expected to result from this disagreement, complete abolition of the duty was finally secured. This victory of good sense was clearly due to President Taft, and constituted the one conspicuous fulfilment of his pledge to bring about really lowered duties.

On any but the most extreme protectionist principles, there is no excuse for a duty on hides. There can be nothing in the nature of protection to young industries, — no prospect of ultimate cheapening through a stimulus to improved domestic production. Even the "true" principle of equalized cost of production could not be applied to a by-product of a flourishing export industry. Nor were any arguments of this sort presented in favor of the duty. The case was put frankly on the ground of give and take; if everything is to be protected, why not hides? ² And on this ground, the ranching representatives had a

¹ The duty of 1897 applied only to cattle hides. Calf-skins, goat-skins, sheep-skins, horse-hides, and the like, have continued throughout to be free of duty.

² Mr. Payne gave the following account of the way in which the duty on hides came to be imposed in 1897: —

"When the Dingley bill came before the House, reported by the Committee, it was reported with free hides, and I saw a number of gentlemen on this [the Republican] side of the House, and a number of gentlemen on the other side of the House, led by Jerry Simpson of Kansas, voting for a duty on hides. He was a little more frank than some of these modern-day tariff-for-revenue people. He said he wanted to get his share. He did not believe in a duty on hides, but he wanted to get his share. . . . It went over into the Senate. We did not have a Republican majority in the Senate in those days, but we did have a majority of those who claimed to be protectionists, and one of these protectionists of populist tendencies would not vote for the bill unless it carried a duty on hides, and the Senate accommodated him. *That is one of the courtesies of the Senate when any member wants something done.*" Congr. Record, p. 21.

case. If imports are bad *per se*, and domestic supply is good *per se*, why should the imports of hides be free when wool, hemp, flax, lumber, ore, remain dutiable?

It happened, too, that the duty on hides had not been, like so many on crude products, of limited effect. The imports were a considerable portion of the total supply, and the imported and domestic hides came in competition in the same market.¹ The case was one where the protective duty had its full effect: the price of the whole domestic supply, as well as of that imported, was raised by the amount of the duty. It is striking that a country in which cattle raising is so largely carried on, and from which meat-products are so largely exported, should yet import great quantities of hides. The demand for this joint product, or "by-product," is relatively great in the United States. No satisfactory substitute has been found for leather, whether for footwear, harness, belting, or the other manifold uses; and our prosperous and well-equipped population calls for great quantities of it.

Other raw materials were treated in more gingerly fashion, and the original proposal for admitting them free was not carried out. Coal, which the House had proposed to admit free, was finally subjected in the act to a duty of 45 cents a ton, in place of the 1897 rate of 67 cents. Iron ore, which also the House had proposed to make free, was made dutiable at 15 cents, in place of 40 cents. It has already been noted that the proposal for free admission of lumber made by the Ways and Means Committee, could not be carried even through the House. The duty there was set,

¹ In an elaborate statement compiled by the Census Bureau, on "Imports, Exports, and Domestic Manufactures," the following figures are given as to cattle hides:

	<i>Pounds</i>	<i>Values</i>
Imports (1904-5)	111 mill.	14.5 mill. dollars
Domestic Product (1904)	456 mill.	44.2 mill. dollars

on the lowest grade, at \$1.00 (per thousand feet); the Senate proposed \$1.50; the act finally made the rate \$1.25, in place of the 1897 rate of \$2.00. On the other hand, free admission was finally secured for wood pulp. A special committee had made an investigation on pulp and paper, and had reported in favor of the free admission of pulp from countries not imposing export duties on pulp and pulp wood, — this referring, of course, to Canada. With this change went a reduction in the duty on printing-paper, from \$6.00 to \$3.75 a ton.¹

As to all such changes on materials, there is a question how far reductions or remissions will redound merely to the advantage of the manufacturer or middleman, how far to that of the “ultimate consumer.” Free hides, it was said, would benefit only the tanners or the shoe-makers, but the price of shoes would not be affected. The answer obviously is that the case is the same with every cause lessening the price of materials,—improved processes, better transportation, and what not. The final result in cheapening consumers’ goods may come slowly and haltingly; but so long as there is effective competition among the several series of producers and middlemen, and so long as there is a cheapening of the materials for all those engaged in supplying a given market, the legislator may feel safe in providing for free materials.

¹ The Committee on Pulp and Paper, of which Mr. Mann of Illinois was chairman, made an elaborate investigation, and presented a compact and able report in favor of free pulp and pulp wood (conditional on there being no export tax in Canada) and of a reduction of the duty on printing paper to \$2.00 a ton. The Senate proposed a duty of \$4.00 on paper, with a threat of an additional \$4.00 in case of export tax. The final compromise brought a duty of \$3.75, with a similar threat of additions. In Canada, the Province of Quebec gives a partial rebate of the ordinary royalty for lumber cut on public lands, if manufactured into pulp wood within Canada. This has been held equivalent to an export duty on pulp wood going out of Canada. It applies only to wood from public lands, not to that cut on private lands. What action will now be taken in Canada (*i.e.* by the Province of Quebec) remains to be seen.

No doubt the cheapening of materials sometimes affects only a part of the market. Lower duties on coal and lumber, or their free admission, have but a limited range of influence. Free coal would be to some advantage for coal-users in New England and the extreme Northwest; though in both districts the possible consequences are much exaggerated both by advocates and opponents. Free lumber would lead to slightly larger importation from Canada along the eastern frontier, but probably to none of any moment in the Northwest. It would check a bit, even if only a bit, the wastage of our own forests, and in so far is clearly sound policy. Not a few Southern representatives voted for the retention of the duty on lumber, and their votes turned the scale in its favor. Yet, both because of geographical limitation of competition and because of the different quality of Southern lumber, the duty is of no real consequence for their constituents. The attitude both of constituents and representatives illustrates the state of veritable funk concerning lower duties (not to mention free trade) which has been induced by the constant shouting about safeguarding American industries against pauper labor.

Iron ore (on which the duty was reduced from 40 to 15 cents a ton) presents a case where the effect of lowered duties is even more limited. The only ores likely to be imported are those from Cuba, where some great deposits have long been known, and others even greater have recently been found. The iron and steel makers of the Eastern seaboard would be the first beneficiaries from having the ore free, being indeed already the owners of the ore lands.¹ How far the price of iron and steel would be affected, must be

¹ The chief enterprises directly interested are the Pennsylvania Steel Company and the Bethlehem Steel Company, both of them rivals (more or less friendly) of the Steel Corporation.

problematical; still more, how appreciable would be the final effect on the prices of the things made with the iron and steel. All that can be said is that in some degree competition with the great Steel Trust would be promoted, and some better opportunity given for the development of the rival iron-making industry of the eastern region.

On iron and steel the process begun in 1890, of reducing duties no longer of any effect, was carried a step further. The rates were lowered along the whole range, as will be seen from the following typical figures:—

	Duty of 1897	Duty of 1909
Pig iron	\$4.00 ton	\$2.50 ton
Scrap iron and steel	4.00 “	1.00 “
Steel Ingots (lowest class)	6.72 “	3.92 “
Steel Rails	7.84 “	3.92 “
Tin Plate	1½ c. a pound	1⅓ c. a pound

Nobody supposed that these changes were of consequence. Possibly the low rate on scrap iron and steel may cause a slight increase in importation for the use of foundries near the seaboard; and there may be sporadic importations of other sorts of iron, on occasions of unusually active demand, or at points (in New England or on the Pacific coast) far from the centers of domestic production. But the time has gone by when the duties on crude iron and steel have any considerable effect. The “true principle,” if rigorously applied to the vast integrated enterprises which now constitute the representative firm in iron-making, would lead to the complete repeal of all these duties.

One point in the discussion of the iron and steel duties deserves a word of comment. It was main-

tained that the "true principle" called for a retention of duties because cost of production had risen in the United States in recent years;¹ and one of the most important items of increased cost was alleged to be in the higher prices of ore and coke. To the "unpractical" economist it seems obvious that these higher prices of materials are (in the main) the *result* of higher prices of iron and steel, not the cause of higher cost in producing the iron and steel. As to those enterprises that possess their own mines of ore and coal (and most of them do, conspicuously the Steel Corporation), the higher price of the materials is simply a book-keeping item, a cross-account between integrated corporations. To say that, under these conditions, higher prices for ore and coal mean higher cost of production is very like saying that a higher rate of dividend on a railway means higher expense of conducting the traffic.

With free hides came reductions in duties on corresponding manufactures, — on leather from 20 per cent to 5 per cent, on shoes from 25 per cent to 10, on harness and saddlery from 35 per cent to 20. These reductions were insisted on, with a touch of vindictiveness, by the ranching representatives as the counterpart of free hides, and were somewhat grudgingly accepted by the representatives of the leather and shoe districts. Here again no one supposed that any real changes would ensue from the lowered duties. Tanning and shoe-making are among the industries in which American labor is applied with resource and advantage, in which high wages and low prices are made possible by efficiency and ingenuity, and in which there are exports, not imports. The hesitation in

¹ See for example Mr. Schwab's testimony before the Ways and Means Committee. Hearings, pp. 1632, 1633.

acceding to the reduced duties arose chiefly from that pusillanimity about foreign competition which pervades almost the whole manufacturing community.

In the case of shoes, of which the exports are considerable, it was said that not only American shoes were being exported, but American shoe-machinery also, and that after a time, when foreigners had learned to use this machinery, their lower wages would enable them to send cheaper shoes back to the United States. Of course it is true that the price of independence, for any American manufacturing industry subject to possible foreign competition, is unceasing progress. To hold its own, and to pay current high wages, it must not only have the lead, but keep the lead. It must continue to advance steadily, with new ways and better processes, as fast as competitors adopt its established improvements. The history of industry, and especially that of English industry in its long contest with foreign rivals, indicates that probably it can keep the lead. Imitative competitors usually remain in the rear. They are constantly left behind by those whose ways they copy. Certainly there is nothing to indicate that a different result has appeared or is impending as to those American manufactures which have long reached the stage of independence and of export, such as sewing-machines, tools and hardware, agricultural implements, electrical apparatus, and these very boots and shoes.

As has been the case with all the tariff acts since the Civil War, that of 1909 brought advances in the duties as well as reductions. Some of these advances were made in good faith for the purpose of getting more revenue; some were for the purpose of rectifying real or supposed errors or inconsistencies in previous acts;

and some were intended, openly or with subterfuges, to give additional protection.

On cotton goods advances were made both for rectification of old duties, and for the imposition of new. In some cases unexpected interpretations by the courts of the language of the act of 1897 had caused very low duties on certain cotton textiles. Certain changes, prepared for the purpose of making these rates about the same in range as those on other goods, were not unreasonable, and indeed, from the point of view even of a moderate protectionist, were imperative.¹ Other changes were made, however, with the avowed purpose of promoting some domestic industry and adding to the sweep of the protective system. The duty on mercerized cottons, already referred to, was advanced by imposing an extra cent per yard on goods treated by this process. The duties on certain grades of cotton hosiery, — seamless or fashioned hose — were advanced, chiefly on the cheaper grades.² A minor item, but one which caused some discussion, was the duty

¹ These changes were explained by Senator Aldrich, Congr. Record, p. 2847 seq. Analogous changes were made, for example, on pocket-knives, parts of knives (unassembled) being made dutiable at the same rates as completed knives.

² The rates on seamless, fashioned or shaped cotton hose stand thus in the acts of 1897 and 1909.

Classification	Duty of 1897	Duty of 1909
Value up to \$1.00 a dozen	\$.50 c. a dozen, plus 15%	\$.70 c. a dozen, plus 15 %
" 1.00 @ 1.50 " "	.60 " " "	.85 " " "
" 1.50 @ 2.00 " "	.70 " " "	.90 " " "
" 2.00 @ 3.00 " "	1.20 " " "	1.20 " " "
" 3.00 @ 5.00 " "	2.00 " " "	2.00 " " "
" over 5.00 " "	55%	55%

It will be seen that the increase is solely in the specific duties on the lower classes, and has most effect on the cheaper goods within each class.

To the paragraph (no. 328) containing these rates was added a new provision, imposing a duty on men's and boys' cotton gloves thus : —

Value up to \$6.00 per dozen, 50 cents per dozen, plus 40%
 " over " " , 50%.

The rate of duty obviously may be very high on the cheap gloves, valued say at \$1.00 per dozen. These goods were not separately enumerated in the act of 1897, nor in the House bill. The provision was inserted by the Senate, and is of the kind which may contain a " joker."

on razors, in which a very considerable increase was made.¹ By far the most important and systematic advance was that in the silk schedule. It will be remembered that in 1897 an elaborate system of specific duties on silks had been substituted for the previous *ad valorem* rates. In 1909 the House left unchanged the specific duties as fixed in 1897; but the Senate completely overhauled them. The silk schedule, intricate before, is now more intricate than ever, and only a person well versed in the trade can make out the meaning and probable effect of the changes. But it is clear on the face of it that the specific duties have been advanced throughout and that they have more and more taken the place of *ad valorem* duties, — a change no doubt of probable administrative advantage, but made the pretext here, as so often before, for a substantial increase in the effective rates.¹ It is noteworthy that neither in 1897 nor in 1909 was there any but the slightest discussion of the new silk duties. In 1897, when Mr. Dingley introduced the House bill containing them, he did not refer to this schedule. In 1909 they appeared for the first time in the Senate bill. There were no public hearings before the Senate Committee, and the new silk duties were the result of private conferences with the domestic producers, perhaps also with customs officials. They were not mentioned, or barely mentioned, when the Senate's bill was reported. Nor was much said about them in the debates. The intricacy of the schedule,

¹ The changes on razors were as follows. The specific duties throughout are per dozen.

Act of 1897			Act of 1909		
Value up to	\$1.50, duty 50 c. plus 15%		Value up to	\$1.00, duty 35%	
"	1.50 to 3.00, "	\$1.00 plus 15%	"	\$1.00 to 1.50, "	.72 plus 35%
"			"	\$1.50 to 2.00, "	\$1.20 plus 35%
"			"	\$2.00 to 3.00, "	\$1.44 plus 35%
"	over \$3.00, "	\$1.75 plus 20% —	"	over 3.00, "	\$1.80 plus 35%

and the difficulty of making out its meaning, may account for this lack of discussion. It is certain that a systematic increase was made in a series of duties already very high.¹

All these are cases where duties already very high are put up still another notch. The question arises, why should imports have continued to flourish notwithstanding the previous high duties, and why should such extreme rates be demanded by the domestic producers? I suspect that the answer is much the same in all these cases. It is that the commodities are made by methods not adapted to American ways of efficiency. In this country manufacturing efficiency comes by the use of highly-developed machinery, continuous operation, standardized processes, and interchangeable parts. Where methods of this kind can be employed, the American employer can pay high wages and yet sell at low prices; very likely he can export. Where he uses much direct labor and few labor-saving appliances, where he tries to make few goods of any pattern, he cannot compete with the countries of

¹ One illustration will indicate the nature of the changes in the silk duties. In 1897 the duties on silk piece goods, weighing $1\frac{1}{2}$ to 8 ounces square yard, had been arranged in classes, the duty being so much on goods containing 20% and less of silk, more on goods containing 20% to 30% silk, still more if containing 30 to 45% of silk; then further differentiated according as they were or were not dyed or printed. In 1909 a new classification is made. Light-weight goods, $1\frac{1}{2}$ to $2\frac{1}{2}$ ounces per square yard, are set apart, and subject to higher duties; those weighing more, ($2\frac{1}{2}$ to 8 ounces) are also subjected to higher duties, though not in the same degree as the light-weight goods. The following are the changes on the cheapest goods containing the least percentage of silk:

1897	1909
Containing up to 20% of silk, weighing $1\frac{1}{2}$ to 8 oz. per yard, in the gum duty 50 c. lb. dyed or printed etc. ... " 60 c.	Containing up to 20% silk, weighing $1\frac{1}{2}$ to $2\frac{1}{2}$ oz. per yard, in the gum 70 c. lb. dyed or printed etc. ... 85 c. lb. The same, weighing $2\frac{1}{2}$ to 8 oz. per yard in the gum $57\frac{1}{2}$ lb. dyed or printed etc. ... 70 c. lb.

Similar advances are made on all the classes, the duties rising as the percentage of silk becomes greater, and being throughout higher than the duties of 1897.

low wages and handicraft efficiency. Just why the American machine-using ways should be applied with success in some directions and should fail in others, is often difficult to explain, and indeed constitutes one of the most intricate problems in industrial history. The young industries argument may sometimes apply. The very introduction of the new branch into the country may turn invention in that direction and bring about the development of labor-saving processes. But the fact that extremely high duties are demanded is *prima facie* an indication that the field is not a promising one for this sort of development.

At all events, in all these cases of duties shoved higher and higher, great cost of direct labor was urged, — of course with the usual exaggeration and the usual jeremiads about the cheap labor of foreign countries. The seamless stockings on which duties were raised are of the kind not knitted complete by the marvellous self-acting machinery of the modern knitting frame. They need to be finished and shaped by hand; and this fact probably explains why they continue to be imported. Mercerized cottons, as one of the advocates of the duty said with emphasis,¹ call for an unusual amount of labor, and therefore — on the “true principle” — must have an unusually high duty. On silks, the duties are highest, and the importation at the same time most likely to continue, in case of the very cheap and the very dear classes of goods. The same is the case with many articles of hardware, such as pocket-knives. The explanation in both cases is that the medium grade goods, used and made in large quantities, give scope for machinery and standardized processes.

¹ See the speech of Senator Lodge, June 1; pp. 12, 13 of the separate pamphlet reprint of this speech.

It hardly need be said that no one explanation can fit all the complications of industry. The continuance of importations in the face of high duties sometimes is due to the simple fact that foreign producers are technically in advance, and the demand for still higher duties is pressed because the domestic producers have failed to keep abreast of them. While protection in the United States has not usually caused slackening of progress, it has in some cases done so. This is one of the most important questions of fact in regard to the increase or retention of a particular duty, but one which received no attention in the talk about cost of production and the "true principle." Razors, for example, seem to be made by more effective methods in Germany than in this country; although, as to the modern safety razor, the reverse is the case. In chemical products and dyes the Germans certainly have the lead, and higher duties seem to be simply props for the industrially inefficient.¹

On two of the most important schedules in the tariff virtually no change at all was made. The wool and woollen duties were left intact, except for a reduction in the duty on wool tops, and a slight reduction on yarns and dress goods.² Of these minor changes, the

¹ The House proposed to raise the duty on coal-tar colors from 30 to 35 per cent, but in the act it was finally left at 30 per cent. Mr. Payne, in advocating the House rate, was compelled to admit "I am sorry to have to confess it, but the truth is that the chemists in Germany beat the world. . . . Some enterprising men here wanted to go into the business. . . . But the Germans came in here and dumped colors in the market, and as often as our people succeeded in making the color and putting it on the market, the Germans came in and sold cheaper colors, or an equal color at a less price."

² The ad valorem duty on the cheaper grade of yarns was reduced from 40% to 35%, and the ad valorem duties on cotton-warp dress goods were also lowered by 5 per cent. The specific duties on these articles remain unchanged. The reductions bear in both cases on grades of goods not imported because the duties had been prohibitory; the changes signify nothing. On tops, which had before come in under a high drag-net clause, a considerable reduction was made both in the specific and ad valorem duties; but the rate still remains high enough to be prohibitory.

only one that caused discussion was that affecting tops. Wool tops are fibre in a stage toward yarn, intermediate between combing and spinning. They had been subjected to very high duties in previous acts under an omnibus clause (as wool "partly advanced in manufacture"), and attention had been directed to them by some published correspondence of 1897 between Mr. Whitman, the President of the Wool Manufacturers' Association, and the then Secretary of the Association, Mr. North.¹ Mr. Whitman, who was the head of the one great mill making tops for other spinners, desired in 1897 the retention of the duty on this product as well as the increase of duties on other products of the mill. He was aided in securing them by the fact that the Association Secretary, Mr. North, served also as confidential clerk of the Senate Finance Committee. The whole situation was one too familiar in our tariff history: the details of legislation had been virtually arranged by persons having a direct pecuniary interest in the outcome, and having also the closest relations with the legislators controlling the outcome. Even tho there be no corruption—and there is no ground for suspecting anything more than generous contributions to party chests—the outcome is much the same as if there had been corruption. It illustrates once more how radically bad is the method by which the details of our tariff legislation are settled.

No one ventured a word in criticism of the principle of a duty on raw wool. Some woollen manufacturers asked for a change in the method of assessing it, advocating an ad valorem duty, or one based on the varying shrinkage of the wool. They made out a strong

¹ This correspondence can be found in the Hearings before the Committee on Ways and Means, vol v, p. 5492.

case in favor of such a change. But the leading spirits in Congress were afraid to touch the complicated wool and woollens schedule. The duty on wool is the least defensible among the duties which are of real and considerable effect in our tariff system. On any of the grounds recognized by economists as possibly justifying a protective duty, it has not a leg to stand on. But it has enormous political strength. It is supposed to give the farmer a share of the benefits of protection, tho in fact the persons who benefit by it are chiefly the ranchers of the Far West. To tamper with it would endanger the allegiance to the wonder-working protective system in a section always disposed to be restive under it. So the duties on wool, and with them the huge structure of compensating and protecting duties on woollens, remained untouched.

Similarly the duty on sugar was left unchanged, except for a slight concession on one point where, as in the case of tops, unfavorable comment happened to be made at the time of the tariff debate. That point was the "differential," or extra duty on refined sugar, which operates as protection to the sugar refiners. Here there was a reduction from $12\frac{1}{2}$ cents per hundred pounds to $7\frac{1}{2}$ cents per hundred pounds. The American Sugar Refining Company, or "trust," happened to be in the public eyes for other reasons, and this change in duty was among the consequences. It is of very slight importance, in view of the cheapness of refining and the position of the trust in relation to its rivals. It will not affect imports or the price of sugar. On the other hand, the duty on raw sugar — vastly the most important part of the sugar duties — was left unchanged. Here again the champions of the farmers were much in evidence. The domestic beet-sugar growers were the vehement opponents of

any reduction, and made much of high cost of production as regards beets for the farmers and sugar for the manufacturers. The truth seems to be that in a state like Michigan, beet-sugar making cannot be carried on without a tariff prop; while farther west, especially in a state like Colorado, it needs none. The Michigan sugar people embarked in the business under the direct encouragement of the government. The Department of Agriculture has been preaching beet-sugar in season and out of season, for appropriate regions and for inappropriate: not unnaturally the growers were almost ferocious in their opposition to the proposal for reducing the duty on sugar.

One further change of possible importance was made in the sugar schedule. It was provided that 300,000 tons of sugar (roughly 10 per cent of the domestic consumption) might be admitted free of duty from the Philippine islands. This means simply a gift to the the sugar producers of the Philippine islands of the amount previously chargeable as duty on their imports. The price paid for the sugar by American consumers will not fall in consequence of the remission; the price received by the Philippine planter will rise. The outcome will be the same, substantially, as from the free admission of sugar from the Hawaiian islands and Porto Rico, — a bounty of so much to the producers in the dependencies.¹ Whatever be our obligations to the people of these regions, I have never seen good ground for favoring any of them by such remission of duty. The feeling for it rests in good part on a confused notion, fostered by so much of the protectionist talk, that a duty is a burden on the foreign producer, not on the domestic consumer; and it is

¹ On the general working of this sort of favoritism, I refer the reader to my article, on "Sugar: a Lesson on Reciprocity and the Tariff" in the *Atlantic Monthly*, March, 1908, and to a supplementary note in this *Journal*, May, 1909.

urged that we should not treat the Philippine producers as foreigners. The truth is that while a duty brings ordinarily a burden on the domestic consumer, and its remission therefore brings ordinarily a relief for him, this sort of remission, being limited, redounds not to his advantage, but solely to that of the foreign producer. While the duty has been no burden to the latter, its remission by this process will bring a gain to him.

The most depressing part of the new tariff is in some of the petty items, important not in themselves but because of the mode in which they were dealt with. A constituent secures the ear of an influential Congressman or senator, proposes a high rate on an article he produces or wishes to produce, and gets it enacted by the log-rolling process. Where such changes concern important articles, like cottons, woollens, silks, hosiery, there is usually some public discussion and at least *pro forma* justification. But where minor articles are to be affected, the new rates are quietly put through without check or scrutiny. In the current session this was particularly the case in the Senate, since the Finance Committee of that body gave no public hearings and, among its own members, naturally carried senatorial courtesy to the limit. Thus the duty on some nippers and pliers was quietly advanced, for the benefit of a single manufacturer in New York, — in this case under the sponsorship of the Vice-President. The duty on cheap cotton gloves, such as are used by policemen, the militia, and the army for parade occasions, was virtually doubled, there being a projector who succeeded in getting the ear of a New England senator.¹ The duty on horn combs was raised

¹ This duty is a typical case of the "joker." See the note to p. 27, above. My information in regard to this article, and in regard to nippers and pliers, comes from private sources, of whose trustworthiness I am assured.

from thirty to fifty per cent. The duty on woven fabrics of asbestos was raised in similar degree. Every one conversant with our tariff history knows that such items — concealed or obscure changes, working to the advantage of particular individuals — have been too common. But, to repeat, it is depressing to find that there are many of them in an act supposed to be in fulfilment of a pledge for downward revision.

A new set of provisions is found in the maximum and minimum arrangement. It is very simple. The stated tariff rates are declared to constitute the minimum tariff of the United States. To these rates 25 per cent is to be added, — 25 per cent not of the rates, but 25 per cent of the value of the articles imported, — on goods coming from countries which “unduly discriminate” against the United States. This undue discrimination may be either “in the way of tariff rates or provisions, trade or other regulations, charges, exactions, or in any other manner,” or by export bounty or export duty¹ or prohibition upon export. The minimum tariff plus this 25 per cent constitutes the maximum tariff. After March 31, 1910, the maximum tariff is to be applied unless the President has been satisfied that there is no “undue discrimination” against the United States. If so satisfied, he may by proclamation admit goods from a given country at the minimum tariff rates. The administration of the maximum and minimum

¹ The provision in regard to export duties, by which they may become the ground for levying the maximum tariff, was neither in the House bill nor in the Senate bill. “The words ‘or imposes no export duty’ were inserted in conference, and I believe were inserted at the suggestion of a few paper manufacturers in order to impose the maximum tariff on paper coming from the Province of Quebec.” Mr. Mann, *Congr. Record*, p. 5226. I do not know what grounds there may be for this suspicion. Cf. note to p. 22, above.

system is thus put entirely in the hands of the President.¹

On the other hand, the reciprocity arrangements provided for by the act of 1897 disappear entirely. The sections relating to reciprocity in that act are expressly repealed, and the President is given authority to terminate all agreements made under them. As these reciprocity agreements never had been of any substantial importance, their repeal is of little significance, except as indicative of the disappearance of any intention to deal with tariff questions in this way.

The maximum and minimum arrangement also is likely to have no substantial effect, nor is it expected to. This device, introduced by France in 1892, has had the same result as the previous most favored nation and treaty system. The minimum tariff became the really effective tariff. Maximum tariff is nothing more than a threat used against other countries when these make a move to apply their own maximum tariffs. France, as it happens, is the country against which, more than any other, the new arrangement in the tariff act of 1909 is directed. It is possible that ill temper, bad diplomacy, excess of protectionist and chauvinistic zeal, will bring about a commercial war with France or with other countries, and the application, by each against the other, of the maximum tariff. But the probabilities are that no such unfortunate result will ensue. The minimum tariffs

¹ The section containing the maximum and minimum provisions ends with this somewhat enigmatic clause: "To secure information to assist the President in the discharge of the duties imposed upon him by this section, and the officers of the Government in the administration of the customs laws, the President is hereby authorized to employ such persons as may be required." Under the authority here given President Taft has appointed the so-called Tariff Commission, of which Professor H. C. Emery is chairman. Under a liberal construction of the language of the statute, this body, as President Taft announced in his speech on the tariff at Winona, is to make inquiries not only as to foreign tariffs, but as to "cost of production abroad and here" and "the operation of the United States tariffs upon imports and exports."

are likely to be effective in the several countries, as they are intended to be; the maximum tariffs will be but empty threats. Nor will the minimum tariffs bring any relaxation of the protective systems in the several countries. The minimum duties, in the United States as elsewhere, are as high as their supposed interests demand. The whole arrangement means a possible tightening of tariff restrictions, but in no case any relaxation.

The act of 1909 brings no essential change in our tariff system, and indicates no essentially different spirit in dealing with it. It still leaves an extremely high scheme of rates, and still shows an extremely intolerant attitude on foreign trade. The one change of appreciable importance is the abolition of the duty on hides. As an offset to this are the increased duties on cottons and silks, and on a number of minor articles. Most disappointing is the mode in which the subject was dealt with. There was the same pressure from persons engaged in industries subject to foreign competition, the same willingness to accede to their demands without critical scanning. In the House, under the leadership of Mr. Payne, there was an endeavor both to maintain publicity, and to prevent such concealed items. In the Senate, things went in star-chamber fashion, and the familiar process of log-rolling and manipulation was once again to be seen. The act as finally passed bears in its details the impress **much** more of the Senate than of the House. It **certainly** means no real breach in the tariff wall, and no **downward** revision of any serious consequence.

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